



STATE OF MAINE  
PUBLIC UTILITIES COMMISSION

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March 12, 2013

Honorable John J. Cleveland, Senate Chair  
Honorable Barry J. Hobbins, House Chair  
Energy, Utilities and Technology Committee  
115 State House Station  
Augusta, Maine 04333

**Re: LD 646, An Act To Remove the 100-megawatt Limit on Renewable Sources of Energy**

Dear Senator Cleveland and Representative Hobbins:

The Public Utilities Commission (Commission) testifies neither for nor against LD 646, An Act To Remove the 100-megawatt Limit on Renewable Sources of Energy. LD 646 would amend the State's resource portfolio requirement (35-A M.R.S.A. § 3210) to remove the 100 MW cap on most resources eligible for the portfolio requirement.

General Description of Portfolio Requirements

A resource portfolio requirement, also typically referred to as a renewable portfolio standard or an RPS, is a market mechanism used to encourage the development and operation of legislatively designated types of generating facilities (usually renewable resources). Generally, the purpose of a renewable resource portfolio requirement is to promote regional resource diversity in a manner that is consistent with a competitive regional generation market. It does so by creating a premium over electricity wholesale market prices for resources that might not otherwise be developed or operated.

The mechanism works by legislatively creating a demand for designated resources by mandating that pre-specified percentages of a retail electricity provider's load are served by the designated resources. The market then operates to meet this legislatively created demand at the lowest cost. The result of the portfolio requirement mechanism is that a premium over wholesale electricity market prices is created for the designated renewable resources. This premium is paid for by electricity customers through the supply portion of their bills.

Maine's Portfolio Requirements

Maine currently has two portfolio requirements: 1) a new renewable capacity resources requirement (referred to as Class I); and 2) an eligible resource requirement (referred to as Class II). Maine's original restructuring legislation included a 30% eligible resource portfolio

requirement that became effective in 2000 (35-A M.R.S.A. § 3210(3)). In 2007, the Legislature enacted a “new” renewable resource portfolio requirement that defines eligibility as a renewable resource that began service, resumed operation or was substantially refurbished after September 2005 (35-A M.R.S.A. § 3210(3-A)). The percentage requirement started at one percent in 2008 and increases in annual one percent increments until it reaches ten percent in 2017 and remains at ten percent thereafter. The statutes limit portfolio requirement resource eligibility to generation facilities that are 100 MW or less, except for wind facilities for Class I eligibility.

For the most part, suppliers demonstrate compliance with Maine’s portfolio requirement by obtaining renewable energy credits (RECs) that are created and tracked by the New England Generation Information System (GIS). This system allows for the trading of the renewable attribute separate from the energy commodity. Eligible generators receive RECs from the GIS and may sell the RECs to retail electricity suppliers at market driven prices, thus creating a premium over market prices for the generators. Suppliers then use the purchased RECs to satisfy the portfolio requirements in Maine and the other New England states.

#### LD 646

LD 646 would amend the portfolio requirement statutes to remove the 100 MW eligibility cap on all resources for both the Class I and Class II requirements. The primary effect of this change would be to allow large hydro facilities (likely to be located in Canadian provinces) to qualify for Maine’s portfolio requirements.<sup>1</sup> The determination of the specific types of resources that should be designated as eligible for a state’s portfolio requirement (and thus receive a ratepayer funded premium above market prices) is a clear question of energy policy that should be determined by the Legislature.

The Commission notes that expanding portfolio requirement eligibility requirements to large generating facilities is likely to have the effect of greatly increasing the eligible supply for Maine’s portfolio requirements, with the consequence of lowering (perhaps substantially) the price for Maine RECs. This could have a negative impact on currently eligible renewable facilities and, in the event that prices drop to the point where there is no significant market premium, there may be little purpose for maintaining any portfolio requirement.

The Commission looks forward to working with the Committee on LD 646 and I would be happy to respond to any questions the Committee has at this time. The Commission will also be available at the work session to assist the Committee in its consideration of this bill.

Sincerely,



Paulina McCarter Collins, Esq.  
Legislative Liaison

cc: Energy, Utilities and Technology Committee Members  
Jean Guzzetti, Legislative Analyst

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<sup>1</sup> As mentioned, wind power facilities above 100 MW are already eligible for Maine’s Class I portfolio requirement